

JAN 15 2015

#### **UNCLASSIFIED**

TO:

A/LM/AQM - Cathy J. Read

FROM:

OIG/AUD - Norman P. Brown

SUBJECT:

Management Assistance Report—Grant Improprieties by Nour International

Relief Aid (AUD-CG-15-19)

In July 2013, the U.S. Department of State (Department), Office of Inspector General (OIG), initiated an audit of contracts and grants within the Bureau of African Affairs (AF) to examine concerns raised in prior OIG reports<sup>1</sup> about the adequacy of contract and grant administration and oversight performed by AF personnel. The objective of the audit was to determine the extent to which AF's administration and oversight of contracts and grants was in accordance with Federal laws and Department guidance. During the audit, OIG selected a judgment sample of eight high-risk and medium-risk contracts and eight high-dollar-value grants administered by AF. The Office of Audits issued this report in August 2014.<sup>2</sup>

OIG's sample of grants during this audit included grant number S-LMAQM-10-GR-005, awarded to Nour International Relief Aid (Nour). The stated purpose of the grant was to supply the people of Somalia with pharmaceuticals and medical supplies in support of the African Union Mission in Somalia (AMISOM). Throughout the aforementioned audit, OIG identified concerns with this grant but did not include a detailed discussion of these concerns in the report so that we could collaborate with other OIG offices and affirm our findings. This Management Assistance Report focuses solely on findings related to Nour. Specifically, we found that Nour did not adhere to Federal procurement laws and regulations<sup>3</sup> and the Department's standard

<sup>&</sup>lt;sup>1</sup> Inspection of the Bureau of African Affairs (ISP-I-09-63, Aug. 2009), and Audit of Allegations Pertaining to Contract With DynCorp International for the Security Sector Transformation Project in South Sudan, Africa (AUD/SI-10-23, Aug. 2010).

<sup>&</sup>lt;sup>2</sup> Audit of the Administration and Oversight of Contracts and Grants Within the Bureau of African Affairs (AUD-CG-14-31).

<sup>&</sup>lt;sup>3</sup> Federal procurement regulations include Office of Management and Budget (OMB) Circulars as identified throughout this report, which were collectively superseded on December 26, 2013, by Title 2, Code of Federal Regulations (CFR) Part 200.104, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." However, the OMB Circulars used in this report were in effect at the time Nour was awarded and performed the grant and therefore will be cited accordingly.

grant terms and conditions in the performance of the grant. We also found that Nour received payments for unsupported costs and unapproved goods. OIG is making three recommendations to the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) relating to the allowability of costs associated with this grant.

#### **Background**

Nour is designated by the Internal Revenue Service as a 501(c)(3) tax-exempt organization. In its unsolicited proposal to the Department, Nour stated that it does charitable work in remote regions of the world, and requested Federal assistance to facilitate the procurement and shipment of humanitarian aid, including pharmaceuticals and medical supplies, in support of AMISOM. In response to this solicitation, on December 1, 2009, the Department awarded grant number S-LMAQM-10-GR-005 to Nour in the amount of \$1.56 million with a period of performance from December 1, 2009, through November 30, 2010. The grants officer, who worked in A/LM/AQM, issued six amendments to increase the total award amount to \$5.9 million and extend the grant's performance period through October 30, 2013. The original award identified the items authorized for procurement under the grant and none of the amendments executed after the original award changed the list of authorized pharmaceuticals and medical supplies.

According to the principal of Nour, it procured all the pharmaceuticals for this grant on a sole-source basis originally from MedPharm, LLC, and as of May 2013, from Global Pharmaceutical, LLC, and procured all of the medical supplies for this grant on a sole-source basis from Medical Education Training and Development, Inc. (METAD). To execute its grant, Nour's authorized budget<sup>4</sup> included \$125,000 per month for pharmaceuticals and shipping<sup>5</sup> and \$5,000 per month for indirect costs.

#### **Federal Procurement Standards**

Federal law requires grant recipients to follow Federal procurement standards, which are furnished to ensure that purchased goods are obtained in an effective manner and in compliance with the provisions of Federal statutes and executive orders. According to Office of

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<sup>&</sup>lt;sup>4</sup>Nour's monthly budget was limited to contractual/shipping costs and indirect costs. On October 1, 2012, Amendment 006 reclassified indirect costs of \$5,000 per month as personnel costs. Fees for services provided by contractors were not included in the budget.

<sup>&</sup>lt;sup>5</sup> On October 1, 2012, Amendment 006 provided a monthly budget that included: \$111,500 pharmaceutical costs; \$21,000 supply costs; \$18,000 freight costs; and \$5,000 personnel costs. Fees for services were not included in the updated budget.

Management and Budget (OMB) Circular A-110<sup>6</sup> and Title 22, Code of Federal Regulations (CFR) 145,<sup>7</sup> grant recipients must adhere to the following procurement standards and procedures:

- Establish written procurement procedures.
- Conduct procurement in a manner to provide competition to the maximum extent possible.
- Document the basis for contractor selection, the justification for lack of competition when competitive bids are not obtained, and the basis for cost or price.
- Develop independent cost estimates.
- Perform cost and price analyses.
- Maintain a system for contract administration to ensure contractor conformance with the terms, conditions, and specifications of the contract and to ensure adequate and timely follow-up of all purchases. Recipients shall evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions, and specifications of the contract.

Failure to comply with any of the Federal procurement standards could be considered material noncompliance with the terms and conditions of a grant agreement and provides a cause for grant termination and grantee suspension and debarment.

# OIG Findings Related to Nour International Relief Aid

Nour did not adhere to Federal procurement laws and regulations and the Department's standard grant terms and conditions while performing the grant to supply AMISOM with pharmaceuticals and medical supplies. Specifically, Nour did not: (1) use full and open competition to the maximum extent possible to select vendors it used to procure pharmaceuticals and medical supplies;<sup>8</sup> (2) perform a cost analysis of the prices charged by its contractors to ensure that the prices were reasonable;<sup>9</sup> and (3) have a sufficient system of contract administration in place because it did not review its contractors' invoices for accuracy or reasonable costs.<sup>10</sup>

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<sup>&</sup>lt;sup>6</sup> OMB Circular A-110 (Revised), *Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, September 30, 2009, Section 1, sets forth standards for obtaining consistency and uniformity among Federal agencies in the administration of grants to and agreements with non-profit organizations.

<sup>&</sup>lt;sup>7</sup> 22 CFR 145, "Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," establishes uniform administrative requirements for Department grants awarded to non-profit organizations.

<sup>&</sup>lt;sup>8</sup> OMB Circular A-110, Section 43, requires the grantee to conduct all procurement transactions using open and free competition to the maximum extent possible.

<sup>&</sup>lt;sup>9</sup> OMB Circular A-110, Section 45, requires the grantee to document cost or price analysis by reviewing each element of cost to determine reasonableness, allowability, and allocability, and to maintain the documentation in the procurement files.

<sup>&</sup>lt;sup>10</sup> OMB Circular A-110, Section 47, requires the grantee to maintain a system for contract administration to ensure contractor conformance with the terms, conditions, and specifications of the contract.

In addition, Nour procured pharmaceuticals and medical supplies that were not on the list of approved products included in the grant agreement. The scope of work for the grant states that the recipient shall not modify the list of deliverables. Nour also did not adhere to other financial management requirements, which resulted in Nour improperly withdrawing \$29,799 in funds and exceeding its monthly budgets. According to the principal of Nour, these instances of noncompliance with Federal regulations and the terms of the grant agreement occurred because she was not aware of pertinent Federal laws and regulations, nor was she aware of the requirement to obtain grant amendments for procuring items not identified in the grant. However, by signing the grant agreement, the grant recipient assured that it would comply with the terms and conditions of the award. As a result, we are questioning \$1,613,950<sup>11</sup> that the Department paid that was either unsupported or potentially unallowable.

## Nour Did Not Comply With Federal Regulations

Nour did not adhere to OMB Circular A-110 because it did not establish written procurement procedures. For instance, Nour did not procure pharmaceuticals or medical supplies using full and open competition to the maximum extent possible. Specifically, Nour did not issue a solicitation for products it needed. Instead, Nour entered into sole-source contracts with three companies to obtain pharmaceuticals and medical supplies on Nour's behalf. Nour's principal did not present to us sufficient justification for issuing these contracts without full and open competition.

In addition, Nour permitted its contractors to determine which items and quantities to purchase. Nour provided its contractors with a list of pharmaceuticals and medical supplies and requested that the contractors procure as much as possible within the flat rate of \$110,500 per monthly purchase order for the pharmaceuticals and \$20,000 per monthly purchase order for the medical supplies. Because quantities were not predetermined, leverage passed to the contractor to define the quantities provided, and there was no incentive for the contractors to provide a reasonable price when they were guaranteed a flat rate despite fluctuations in types and quantities of goods.

<sup>&</sup>lt;sup>11</sup> The \$1.6 million includes \$1,504,151 in unapproved goods, \$29,799 in unsupported withdrawals, and approximately \$80,000 in unallowable contractor fees. There may be additional unallowable contractor fees related to markups charged by MedPharm, LLC and Global Pharmaceutical, LLC; however, OIG was unable to determine these potential markups.

<sup>&</sup>lt;sup>12</sup> OMB Circular A-110, Section 43, requires that awards be made to the bidder or offeror whose bid or offer is responsive to the solicitation and is most advantageous to the recipient, price, quality, and other factors considered. The Circular also states that solicitations shall clearly set forth all requirements that the bidder or offeror shall fulfill in order for the bid or offer to be evaluated by the recipient.

Nour did not perform a cost or price analysis of the products procured to determine reasonableness, allowability, or allocability.<sup>13</sup> In addition, Nour did not have sufficient procurement procedures in place. For example, it did not review its contractors' invoices for accuracy or reasonable costs. Because of the lack of cost or price analysis, Nour, and by extension the Government, cannot be sure it is receiving goods and services at the best rate.

Specifically, Nour's contractors procured their goods through wholesalers AmstelFarma (pharmaceuticals) and Imres (medical supplies); and once procured, Nour's contractors increased the price of goods to the Department. For example, in December 2012, one contractor marked up the cost of medical supplies it obtained by 34 percent. Without sufficient price analysis, Nour cannot be sure that this price was reasonable. Imres invoiced METAD \$14,966 for the procured medical supplies and METAD in turn invoiced Nour \$20,000 for the same goods, resulting in METAD charging \$5,034 above the cost it paid for the medical supplies by generating a markup of 34 percent. Nour forwarded METAD's invoice to the Department for reimbursement without conducting any contract administration or invoice review, even though Nour's budget submission did not include a line item for fees or administrative costs to be paid to its contractors. As such, procuring goods through METAD potentially resulted in additional costs to the Department that were not included in the grant agreement. Throughout the grant's lifecycle, the Department received 16 invoices from METAD and paid approximately \$80,000 in fees not included in the budget.

### Nour Procured Goods that Were Not Allowed By the Grant Agreement

The Department's Notice of Award permitted Nour to procure only the pharmaceuticals identified in an attachment to the grant award. Any deviation from the list required approval from the grants officer via an amendment to the grant award. Nour did not always comply with the grant terms and conditions. For example, Nour procured items totaling \$1,504,151 that were not approved by the grants officer. Specifically, the Nour invoice<sup>14</sup> dated September 27, 2013, invoiced \$110,500 for 201 items, of which \$75,119 for 144 items (72 percent) were not approved by the grants officer. Despite these items not being included in the grant award or approved by the grants officer, the Department paid the invoice. Because Nour did not obtain approval from the grants officer via an amendment to the award to change the scope of work, the grants officer should now determine whether these costs were allowable, and if not, should recoup these costs from Nour.

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<sup>&</sup>lt;sup>13</sup> OMB Circular A-110, Section 45, requires the grantee to document cost or price analysis by reviewing each element of cost to determine reasonableness, allowability, and allocability, and to maintain the documentation in the procurement files. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices, and similar indicia, together with discounts.

<sup>&</sup>lt;sup>14</sup> OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, May 10, 2004, states that costs must be adequately documented to be allowable—Nour submitted invoices to substantiate the costs it incurred under the grant.

#### Grantee Withdrew Funds Without Support

Nour withdrew funds from the Payment Management System (PMS) without providing the Department support of its expenses. Over the life of its grant, Nour withdrew \$5,506,673<sup>15</sup> from PMS but only provided the Department invoices to support withdrawals totaling \$5,476,874. Therefore, Nour did not provide documentation to substantiate that the difference of \$29,799 between its PMS withdrawals and the invoices it submitted were costs attributable to the grant. The specific inadequately supported withdrawals that resulted in overpayments are listed in Table 1.

Table 1. List of Unsupported Withdrawals by Nour

Month/Year	Invoice Amount	Payment	Overpayment
Apr 2010	\$126,166.74	\$126,363.00	\$196.26
Feb 2011	149,566.09	153,459.06	3,892.97
Apr 2011	0	2,036.82	2,036.82
Jul 2011	156,621.40	157,356.86	735.46
Jun 2013	152,497.85	171,598.39	19,100.54
Aug 2013	157,163.85	159,862.82	2,698.97
Oct 2013	0	1,138.00	1,138.00
Totals	\$742,015.93	\$771,814.95	\$29,799.02

Source: OIG generated based on reviews of Nour invoices and corresponding PMS withdrawals.

According to OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, recipients of Federal funds may only expend funds for allowable costs. To determine allowability, the cost must be, among other factors, reasonable<sup>16</sup> and allocable.<sup>17</sup> In addition, OMB Circular A-122 states that costs must be adequately documented to be allowable. As a remedy for non-compliance, OMB Circular A-122 permits the grant awarding agency to disallow the costs or deny the use of funds for all or part of the cost that is not in compliance.

Nour's failure to provide support for the funds it withdrew from PMS obstructed the Department's ability to assess the reasonableness and allocability of Nour's costs. Therefore, the Department had no assurance that Nour used the \$29,799 in unsupported costs in an acceptable manner consistent with the terms and conditions of the grant. Without supporting

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<sup>&</sup>lt;sup>15</sup> This amount excludes Nour's PMS withdrawals for November 2013 because OIG did not obtain and review Nour's invoices for this period.

<sup>&</sup>lt;sup>16</sup> OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, May 10, 2004, states that a cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.

<sup>&</sup>lt;sup>17</sup> OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, May 10, 2004, states that a cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship.

documentation, Nour's withdrawals may be disallowed and recouped if the costs cannot be proven to be attributable to the grant.

### Nour Exceeded Its Monthly Budget

Nour failed to comply with the terms and conditions of its grant agreement by exceeding its monthly budget. Specifically, Nour's Notice of Award included an authorized monthly budget not to exceed \$130,000, which was increased to \$155,500 by the grants officer on September 25, 2012. Although Nour did not exceed the overall grant ceiling throughout the life cycle of the grant, Nour exceeded the monthly budget 21 times, totaling approximately \$439,123. See Appendix A for details on Nour's monthly budget overage.

According to OMB Circular A-110, recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions. Recipients shall request prior approvals from Federal awarding agencies for one or more of the following program or budget related reasons, including the need for additional Federal funding or the transfer of amounts budgeted. In addition, the Department's Standard Terms and Conditions do not allow deviations from the Notice of Award without the grants officer's approval.

Nour's failure to adhere to its authorized monthly budget resulted in an accelerated burn rate.<sup>19</sup> Therefore, Nour did not have the funds needed to provide the full complement of monthly supplies to AMISON over the life cycle of the grant. As a result, AMISOM may not have maintained an adequate supply of pharmaceuticals, which impacts the purpose of the grant. Furthermore, Nour's failure to adhere to its authorized monthly budget demonstrates that Nour did not follow Department policies in the performance of the grant.

#### Conclusion

According to the principal of Nour, the reason that these exceptions occurred was that she was unfamiliar with Federal and Department policies regulating grants. However, when Nour accepted the grant, it agreed to abide by the Department's Standard Terms and Conditions for Domestic Federal Assistance Awards, <sup>20</sup> which states that grant recipients are responsible for complying with the procurement standards identified by OMB.

Competition lies at the heart of Federal acquisition. Federal procurement policies require full and open competition to drive down costs, motivate better contractor performance, and curb

<sup>&</sup>lt;sup>18</sup> The grants officer increased the authorized monthly budget via Amendment 006.

<sup>&</sup>lt;sup>19</sup> A recipient's burn rate describes how fast money is spent.

<sup>&</sup>lt;sup>20</sup> The U.S. Department of State Standard Terms and Conditions for Domestic Federal Assistance Awards, October 2009, states that whether or not approval of a procurement is required where appropriate, the recipients are responsible for compliance with the procurement standards identified by OMB. The guidance also states that the recipient is responsible for ensuring that the appropriate terms and conditions from the award are made a part of any contract or other arrangement whose award amount exceeds the simplified acquisition threshold.

fraud and waste. However, by ignoring competition requirements, Nour cannot ensure that it is achieving the best price for the goods and services being acquired.

Permitting the payment of additional fees that were not part of the authorized budget reduced the funds available to procure pharmaceuticals and medical supplies. Therefore, OIG believes that the Department could recover contractor fees based upon the grant's standard terms and conditions. Further, procurement of items that were not part of the original, approved agreement may be inconsistent with the grant's purpose. Therefore, the Department should determine the allowability of costs for items procured beyond the Notice of Award, and recover costs for those items determined as disallowed costs. Overall, OIG identified more than \$1.6 million in questioned costs that were either unsupported or considered unallowable. See Appendix B for the response provided by A/LM/AQM.

**Recommendation 1.** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management determine the allowability of contractor fees that were not part of the grant's authorized budget, direct Nour International Relief Aid to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

Management Response: A/LM/AQM concurred with the recommendation, stating that it began the initial review to determine the allowability of contractor fees. A/LM/AQM also stated that it will direct Nour to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

OIG Reply: OIG considers the recommendation unresolved. While A/LM/AQM stated that it agreed with OIG's recommendation, the response was not satisfactory to resolve the recommendation because management did not provide a decision with respect to the allowability of contractor fees that were not part of the grant's authorized budget. This recommendation can be resolved when OIG receives and accepts documentation demonstrating that A/LM/AQM has determined the allowability of contractor fees that were not part of the grant's authorized budget. This recommendation can be closed when OIG receives and accepts documentation showing that the Department received a refund from Nour for any costs determined to be unallowable.

**Recommendation 2.** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management determine the allowability of the \$1,504,151 in costs incurred for items procured beyond the Notice of Award, direct Nour International Relief Aid to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

<sup>&</sup>lt;sup>21</sup> Inspector General Act, as amended, Pub. L. 95-452, Sec. 5(a)(8).

Management Response: A/LM/AQM concurred with the recommendation, stating that it began the initial review to determine the allowability of procured items beyond the Notice of Award. A/LM/AQM also stated that it will direct Nour to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

OIG Reply: OIG considers the recommendation unresolved. While A/LM/AQM stated that it agreed with OIG's recommendation, the response was not satisfactory to resolve the recommendation because management did not provide a decision with respect to the allowability of the \$1,504,151 in costs incurred for items procured by Nour beyond the Notice of Award.<sup>22</sup> This recommendation can be resolved when OIG receives and accepts documentation demonstrating that A/LM/AQM has determined the allowability of the \$1,504,151 in costs incurred for items procured beyond the Notice of Award. This recommendation can be closed when OIG receives and accepts documentation showing that the Department received a refund from Nour for any costs determined to be unallowable.

**Recommendation 3.** OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management determine the allowability of \$29,799 in unsupported costs that were withdrawn from the Payment Management System without providing the Department support of its expenses, direct Nour International Relief Aid to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

Management Response: A/LM/AQM concurred with the recommendation, stating that it began the initial review to determine the allowability of unsupported costs as described in the OIG report. A/LM/AQM also stated that it will direct Nour to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

OIG Reply: OIG considers the recommendation unresolved. While A/LM/AQM stated that it agreed with OIG's recommendation, the response was not satisfactory to resolve the recommendation because management did not provide a decision with respect to the allowability of \$29,799 in unsupported costs that Nour withdrew from the Payment Management System without providing the Department support of its expenses.<sup>23</sup> This recommendation can be resolved when OIG receives and accepts documentation demonstrating that A/LM/AQM has determined the allowability of the \$29,799 in unsupported costs that Nour withdrew from the Payment Management System. This recommendation can be closed when OIG receives and accepts documentation

<sup>&</sup>lt;sup>22</sup> Ibid.

<sup>&</sup>lt;sup>23</sup> Ibid.

showing that the Department received a refund from Nour for any costs determined to be unallowable.

As the action office for these recommendations, please provide information on actions taken or planned for the three recommendations within 30 days of the date of this letter. Actions taken or planned are subject to follow-up and reporting in accordance with the enclosed compliance response information.

If you have any questions, please contact me, Assistant Inspector General for Audits, by email at <a href="mailto:occupations">occupations</a> <a href="mail

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cc: AF/FO – [Redacted] (b) (6)

AF/EX – [Redacted] (b) (6)

AF/RSA – [Redacted] (b) (6)

A/LM/AQM/IP – [Redacted] (b) (6)
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# Appendix A

Table 1. Nour's Invoices in Excess of Monthly Budget

Month	Budget	Invoice Amount	Amount Over Budget
Jun 2010	\$ 130,000.00	\$ 149,189.00	\$ 19,189.00
Jul 2010	\$ 130,000.00	\$ 148,437.40	\$ 18,437.40
Aug 2010	\$ 130,000.00	\$ 147,655.88	\$ 17,655.88
Sep 2010	\$ 130,000.00	\$ 153,706.89	\$ 23,706.89
Oct 2010	\$ 130,000.00	\$ 149,726.73	\$ 19,726.73
Nov 2010	\$ 130,000.00	\$ 149,099.76	\$ 19,099.76
Feb 2011	\$ 130,000.00	\$ 149,566.09	\$ 19,566.09
Mar 2011	\$ 130,000.00	\$ 153,889.70	\$ 23,889.70
Jun 2011	\$ 130,000.00	\$ 155,033.36	\$ 25,033.36
Jul 2011	\$ 130,000.00	\$ 156,621.40	\$ 26,621.40
Nov 2011	\$ 130,000.00	\$ 153,605.00	\$ 23,605.00
Dec 2011	\$ 130,000.00	\$ 152,669.90	\$ 22,669.90
Jan 2012	\$ 130,000.00	\$ 153,729.79	\$ 23,729.79
Feb 2012	\$ 130,000.00	\$ 155,149.45	\$ 25,149.45
Mar 2012	\$ 130,000.00	\$ 153,967.74	\$ 23,967.74
Apr 2012	\$ 130,000.00	\$ 154,357.20	\$ 24,357.20
May 2012	\$ 130,000.00	\$ 149,406.06	\$ 19,406.06
Jun 2012	\$ 130,000.00	\$ 150,220.34	\$ 20,220.34
Jul 2012	\$ 130,000.00	\$ 149,173.08	\$ 19,173.08
Sep 2012	\$ 130,000.00	\$ 152,254.33	\$ 22,254.33
Aug 2013	\$ 155,500.00	\$ 157,163.85	\$ 1,663.85
Totals	\$ 2,755,500.00	\$ 3,194,622.95	\$ 439,122.95

# Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management's Response to Draft Report



United States Department of State

Washington, D.C. 20520

December 5, 2014

#### UNCLASSIFIED **MEMORANDUM**

TO:

OIG - Norman P. Brown

FROM:

A/LM - Catherine I. Ebert-Gr

SUBJECT: Management Assistance Report - Grant Improprieties by Nour

International Relief Aid

Thank you for the opportunity to provide comments on the OIG draft report titled Grant Improprieties by Nour International Relief Aid. Mr. Vince Chaverini will be the point of contact and he may be reached at

Recommendation 1: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management determine the allowability of contractor fees that were not part of the grant's authorized budget, direct Nour International Relief Aid to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

A/LM/AQM Response (12/5/2014): AQM agrees to review and determine the allowability of the contractor fees, and has begun the initial internal review. AQM will direct Nour International Relief Aid to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management determine the allowability of the \$1,504,151 in costs incurred for items procured beyond the Notice of Award, direct Nour International Relief Aid to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

A/LM/AQM Response (12/05/2014): AQM agrees to review and determine the allowability of the procured items, and has begun the initial internal review. AQM will direct Nour International Relief Aid to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

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Recommendation 3: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management determine the allowability of \$29,799 in unsupported costs that were withdrawn from the Payment Management System without providing the Department support of its expenses, direct Nour International Relief Aid to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

<u>A/LM/AQM Response (12/05/2014):</u> AQM agrees to review and determine the allowability of the costs described in the OIG report, and has begun the initial internal review. AQM will direct Nour International Relief Aid to refund the Department any costs determined to be unallowable, and verify that funds have been refunded.

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